



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

August 16, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF BROKER SERVICES CONTRACT FOR
CONTRACTORS LIABILITY INSURANCE PROGRAM AND
SPECIAL EVENTS LIABILITY INSURANCE PROGRAM
(ALL DISTRICTS – 3 VOTES)**

SUBJECT

This letter seeks your Board's authorization to purchase commercial general liability insurance for the Contractors Liability Insurance Program and the Special Events Liability Insurance Program, for the period of September 1, 2011 through August 31, 2016.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the purchase of blanket commercial general liability insurance for the Contractors Liability Insurance Program (SPARTA) and the Special Events Liability Insurance Program (SELIP), through Merriwether & Williams Insurance Services (Merriwether & Williams), at an annual cost of \$1,787.50, subject to anniversary premium adjustments or changes in the County of Los Angeles (County) operations, for the period of September 1, 2011 through August 31, 2016, with two, one-year renewal options at the sole option of the County.
2. Approve and instruct the Mayor to sign the attached Broker Services Contract with Merriwether & Williams, to administer the SPARTA and SELIP Programs for a term of five years, commencing on September 1, 2011, with two, one-year renewal options exercisable by the Chief Executive Officer (CEO) or the County Risk Manager.
3. Instruct the Auditor-Controller to pay program costs, adjustments, deductible amounts, and related loss expenditures under the Broker Services Contract, as invoiced and validated by the CEO.

Board of Supervisors
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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended action is to reinstate the County's SPARTA and SELIP programs that were previously provided under contract with Municipality Insurance Service (Municipality). In February 2011, Municipality informed the CEO that they had closed their business. The CEO has just completed a solicitation to find another contractor to resume these programs. Descriptions of the two insurance programs are as follows:

SPARTA

County Contractors are required to indemnify the County and to maintain appropriate insurance, including general and automobile liability coverage, in order to protect the County from assuming indemnity and legal costs associated with claims and lawsuits arising from the Contractor's operations. Some small- or newly-formed businesses have been unable to secure, afford, or fully meet the County's liability insurance requirements, which resulted in departments assuming financial responsibility for liability costs. It has also made it difficult for these firms to compete on an equal footing with larger firms and participate in County contracting opportunities. This program will assist these Contractors (which may include minority, women-owned, and other disadvantaged business enterprises) in satisfying the County's requirements.

SELIP

Special event sponsors are also required to indemnify the County and maintain general liability insurance for events held on County property. Community groups, small businesses, and certain other events sponsors may be unable to secure, afford, or fully meet the County's liability insurance requirements, and thus, are unable to utilize County facilities. This program will assist these event sponsors in obtaining the appropriate liability insurance and satisfying the County's requirements.

Implementation of Strategic Plan Goals

Approval of the recommended action is consistent with the County's Strategic Plan Goal in the areas of Operational Effectiveness (Goal 1) and Community and Municipal Services (Goal 3), by offering an affordable option to small contractors and special event coordinators for obtaining County required liability insurance coverage.

FISCAL IMPACT/FINANCING

SPARTA

The annual premium to establish and maintain the SPARTA master blanket insurance policy will be \$1,000, plus \$282.50 for the insurer policy fee and taxes, for a total of \$1,282.50. Insurance premium costs will be financed through charges assessed against the participating contractors. The policy premium of \$1,000 is fully refundable if more than \$1,000 in charges is written into the program within the annual policy period. The program will provide a coverage limit of \$1 million per occurrence, insuring against third party liability arising from contractor activities associated with their County contract, and premium rates will be based upon the scope of work to be performed. Subcontractors to participating prime contractors are also eligible for this coverage. Coverage will be subject to a deductible of \$500 per claim, which will be assessed

against the responsible contractor. In the event the contractor is unable to pay the deductible, it will be charged to the department contracting for services. County departments may choose to recover deductible payments from the contractor in any manner they determine appropriate.

SELIP

The annual premium to establish and maintain the SELIP master blanket insurance policy will be \$505. Insurance premium costs will be financed through premium charges assessed against participating special event sponsors. The policy premium of \$505 is fully refundable if more than \$505 in premium charges are written into the program within the annual policy period. The program will provide a coverage limit of \$1 million per occurrence, insuring against third party liability arising from events sponsored by outside parties at County facilities, and premium rates will be based on the type of special event. Coverage will not have a deductible.

Separate funding for the total cost of \$1,787.50 for both programs is included in the Fiscal Year 2011-12 Insurance Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The contractor, event sponsors, and department participation is entirely voluntary. Contractors and event sponsors will submit applications for coverage directly to Merriwether & Williams, who will then provide quotes and issue certificates of insurance. The policies exclude coverage for pollution liability, and "high risk" contracting operations, such as aircraft maintenance, earthquake retro-fitting, and water main construction. The Merriwether & Williams' SPARTA program is presently utilized by over 100 public entities, including the City of Los Angeles, the City of Alhambra, and the Orange County Department of Education. The SELIP program currently has almost 600 public entity users.

The contract has been reviewed and approved as to form by County Counsel. This is not a Proposition A contract; therefore, it is not subject to the County Living Wage Program (Los Angeles County Code Chapter 2.201).

CONTRACTING PROCESS

On March 30, 2011, the CEO released a Request for Proposals (RFP) to solicit responses for broker services for the SPARTA and SELIP programs. The RFP was posted on the County's "Doing Business With Us" website and notice of the RFP's release was directly sent to 97 vendors on the CEO's broker services mailing list.

Two proposals were received for the SPARTA program and three proposals were received for the SELIP program. The proposals were evaluated by a committee comprised of two CEO Risk Management Branch staff and one staff from the Department of Beaches and Harbors. The proposals were rated as to the vendor's qualifications, broker services design, and cost. The Merriwether & Williams' proposals for both the SPARTA and SELIP programs were rated highest. One vendor requested a debriefing after being notified of the intended contract award; however, none elected to pursue any further stages of the protest process.

Honorable Board of Supervisors
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IMPACT ON CURRENT SERVICES

Reinstatement of the SPARTA and SELIP programs will assist contractors and special event sponsors who otherwise might be unable to obtain liability insurance that satisfies County requirements.

CONCLUSION

Upon approval by your Board, please return two signed originals of the Contract and one adopted-stamped copy of the letter to the CEO Risk Management Branch, attention Laurie Milhiser, County Risk Manager.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:ES
LM:RLC:OS:sg

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller